

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

AUDIT ASSIST FOR THE 1995 DEFENSE
BASE REALIGNMENT AND CLOSURE PROCESS

Report No. 95-239

June 16, 1995

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Acronyms

BRAC
JCSG

Base Realignment and Closure
Joint Cross-Service Group



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**



Report No. 95-239

June 16, 1995

**MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE
(INSTALLATIONS)**

**SUBJECT: Audit Assist for the 1995 Defense Base Realignment and Closure Process
(Project No. 4CG-5016)**

Introduction

We are providing this audit report for your information and use. This report is the final in a series of reports that discusses the implementation of the internal control plan developed by the 1995 Defense Base Realignment and Closure (BRAC) Steering Group (the Steering Group). The purpose of the internal control plan was to ensure the accuracy, completeness, and integrity of the information upon which the Secretary of Defense recommendations for closures and realignments were based. The Deputy Secretary of Defense directed the Inspector General, DoD, to review the adequacy and implementation of the Steering Group internal control plan. This report summarizes our review and discusses the implementation of the internal control plan by the Steering Group.

Audit Results

The Steering Group internal control plan provided a consistent set of management controls over the Joint Cross-Service Group (JCSG) data collection and analysis process. The implementation of the internal control plan by the Steering Group and the JCSGs was generally effective.

Nonmaterial deficiencies existed and were identified to management, who took the appropriate action to correct the deficiencies. Deficiencies consisted of:

- errors in calculations and data entry into a computer system and
- inadequate documentation to support the information or analysis performed by the Tri-Department BRAC Group for the Steering Group.

Details of our analysis of the implementation by each JCSG of the internal control plan are discussed in separate reports; see Enclosure 1 for a list of those reports.

Audit Objectives

The overall audit objective was to assess the adequacy of the Steering Group internal control plan for managing the data used in the identification of DoD cross-Service realignment and closure opportunities. The specific objective of this audit was to determine whether the Steering Group internal control plan was adequately implemented.

Scope and Methodology

We reviewed the implementation of the internal control plan by each of the six JCSGs to determine the adequacy of the internal control plan.

To determine whether the Steering Group adequately implemented the internal control plan, we:

- attended Steering Group meetings and reviewed the formal minutes and briefing charts of the meetings,
- reviewed the process for receiving information from and providing information to the JCSGs as part of the functional analysis process, and
- verified the accuracy of data input into the JCSG linear programming optimization model as part of the functional analysis process.

This program audit was conducted from January 1994 through March 1995. The audit was conducted in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. We performed 100-percent data input verification to ensure the accuracy of computer data used in the linear programming optimization model. We conducted the audit at various DoD organizations and at the Center for Naval Analysis. See Enclosure 3 for a complete list of the organizations visited or contacted.

Internal Control Plan

On April 13, 1994, the Steering Group issued the internal control plan for the JCSGs to use in the 1995 BRAC process. The objective of the internal control plan was to ensure the accuracy, completeness, and integrity of the information upon which the Secretary of Defense recommendations for closures and realignments will be based.

The internal control plan established two principal mechanisms to control the process: organization and documentation.

Organizational Controls in the Internal Control Plan. Organizational controls consisted of the establishment of three organizations that were separated by distinct functional boundaries and levels of decisionmaking authority.

Documentation Controls in the Internal Control Plan. Documentation controls were divided into the following control elements: data information and collection, certification, record keeping, oral briefing, outside studies, technical experts, and access to records.

The internal control plan incorporated the certification procedures set forth in Public Law 101-510, "Defense Base Realignment and Closure Act of 1990," November 5, 1990, as amended, and policy guidance in the Deputy Secretary of Defense memorandum, "1995 Base Realignment and Closures," January 7, 1994.

Prior Audits and Other Reviews

The Inspector General, DoD, has issued 13 reports on the JCSG implementation of the Steering Group internal control plan. See Enclosure 1 for a complete list of the reports. No previous audit coverage of the Steering Group had been done.

Audit Background

The January 7, 1994, Deputy Secretary of Defense memorandum established policy, procedures, authorities, and responsibilities for selecting bases for realignment or closure under Public Law 101-510, as amended. To oversee the entire 1995 BRAC process and to enhance opportunities for consideration of cross-Service tradeoffs and multi-Service use of the remaining infrastructure, the memorandum established a Review Group, a Steering Group, and six JCSGs. In addition, the Deputy Secretary of Defense directed the Inspector General, DoD, to review the activities of the JCSGs to ensure that such activities complied with the requirements of the internal control plan.

Review Group Authorities. The Review Group oversaw the entire 1995 BRAC process. The Review Group was chaired by the Deputy Secretary of Defense and was composed of senior representatives from the Military Departments, the Joint Staff, and other DoD Components, as well as the chairpersons from the Steering Group and each of the JCSGs. The Review Group authorities included:

- reviewing 1995 BRAC analysis policies and procedures,
- reviewing 1995 BRAC excess capacity analyses,
- establishing 1995 BRAC alternatives and numerical excess capacity-reduction targets for consideration by the DoD Components, and
- making recommendations to the Secretary of Defense.

Steering Group Authorities. The Steering Group assisted the Review Group in exercising its authorities and reviewed DoD Component supplementary 1995 BRAC guidance. The Steering Group was chaired by the Assistant Secretary of Defense (Economic Security) and was composed of representatives from the Military Departments, the JCSGs, and various other DoD Components.

JCSGs Authorities. The JCSGs were established in six areas that were determined to have significant potential for cross-Service impact in the 1995 BRAC process. The six JCSGs are:

- Depot Maintenance,
- Test and Evaluation,
- Laboratories,

-
- Medical Treatment Facilities (including Graduate Medical Education),
 - Undergraduate Pilot Training, and
 - Economic Impact.

The JCSGs are chaired by senior DoD officials, with members from each of the Military Departments and other DoD offices as considered appropriate by the chair or chairs of each group.

JCSG Responsibilities. The JCSGs (excluding the JCSG for Economic Impact) were tasked to perform the following functions.

- Establish guidelines, standards, assumptions, measures of merit, data elements, and milestone schedules for cross-Service analysis of the common-support area.
- Perform an excess-capacity analysis.
- Develop closure or realignment alternatives and numerical excess-capacity reduction targets for Military Department consideration.
- Analyze cross-Service tradeoffs.

JCSG for Economic Impact Responsibilities. The JCSG for Economic Impact had the following unique responsibilities.

- Establish the guidelines for measuring economic impact and, if practicable, cumulative economic impact.
- Analyze DoD Component recommendations under those guidelines.
- Develop a process for analyzing alternative closures or realignments necessitated by cumulative economic impact considerations, if necessary.

Discussion

The Steering Group met 10 times between January and August 1994 and issued two of three policy memorandums to implement Public Law 101-510, "Defense Base Realignment and Closure Act of 1990," as amended, and the Deputy Secretary of Defense BRAC 1995 guidance of January 7, 1994.

Policy Memorandums. Policy Memorandum One was issued by the Under Secretary of Defense for Acquisition and Technology before the formal establishment of the Review Group and the Steering Group. Policy Memorandum Two summarized the JCSG functional analysis process and provided a linear programming optimization model (optimization model) to assist the JCSG as an analytical tool in the process. Policy Memorandum Three provided additional guidance in numerous areas including final selection criteria, return on investment calculations, and general reporting formats for the Military Departments and Defense agencies recommendations.

Optimization Model. Policy Memorandum Two also established a single Tri-Department BRAC Group, consisting of representatives from each Military Department, to operate the optimization model for all the JCSGs. The Tri-Department BRAC Group operated the optimization model at the Center for Naval Analysis.

The optimization model is a standard computer model used to develop optimal solutions to complex allocation problems. For the JCSGs, the complex problem was the cross-Service allocations of common support functional requirements to Military Department sites and activities. The optimization model used the excess capacity, functional requirements, functional capacities, and functional values to develop alternatives on realignment or closure. When the Military Departments provided military values for the activities, the values were entered into the optimization model. The optimization model was then used to develop a set of constrained alternatives.

We evaluated the adequacy of the Steering Group internal control plan during our reviews of the JCSGs. We reviewed the Steering Group implementation of the internal control plan as applied to the formal meetings. We also reviewed the implementation of the internal control plan during the operation of the optimization model. A discussion of the results of our review of the specific control areas follows.

Adequacy of the Steering Group Internal Control Plan. The Steering Group internal control plan provided a consistent set of management controls over the JCSG data collection and analysis process. Our review of the JCSG implementation of the internal control plan showed that additional control steps were not required to satisfy the control objectives.

Organizational Controls. The organizational controls established in the internal control plan were effective. The responsibilities of each organizational element were clearly defined. Decisions and information were effectively communicated and questions were raised to the appropriate level for decision.

Documentation Controls. The Steering Group involvement in the JCSG process consisted of the approval of each JCSG analysis plan and the establishment of the Tri-Department BRAC Group to process the optimization model. We reviewed the implementation of each of the documentation controls as it pertained to the Steering Group and the use of the optimization model.

Data Information and Collection. The Steering Group did not request or collect information. However, the Tri-Department BRAC Group obtained a set of objective functions and policy imperatives from each JCSG to incorporate into the optimization model. Information for the optimization model was obtained from each JCSG. The Tri-Department BRAC Group controlled the information received and the optimization results to ensure that only authorized reports were obtained using authorized data.

Data Certification. Each JCSG provided certified data to the Tri-Department BRAC Group. Subsequent changes to the data required that a

cover letter signed by the JCSG representative be submitted with the change. We verified that the information was certified and controlled and that the data were entered correctly into the optimization model.

Record Keeping. We attended the Steering Group meetings and reviewed the minutes, charts, and formal documentation of the meetings. We also reviewed the documentation to support the optimization model. We verbally notified management of inadequate documentation to support the analysis process. We also notified management of incorrect information entered into the optimization model. We verified that management corrected the deficiencies. In Policy Memorandum Two, the Steering Group established procedures to document all work performed using the model. We verified that the Tri-Department BRAC Group followed the procedures described.

Oral Briefing. The Steering Group did not receive an oral briefing.

Outside Studies. The Steering Group did not have any outside studies performed.

Technical Experts. The Steering Group approved the use of outside contractors by the JCSGs.

Access to Records. We observed that Tri-Department BRAC Group personnel secured the JCSG data in locked file cabinets and verified that only the Tri-Department BRAC Group had access to the optimization model computers. Steering Group meetings were conducted in a secure working area at the Pentagon. All data and documents were treated as sensitive "close hold" information with access restricted to authorized personnel.

Conclusions

The Steering Group provided an effective internal control plan for managing the data used in the identification of DoD cross-Service realignment and closure opportunities. We identified minor problems that were corrected immediately. Accordingly, the Steering Group internal control plan was adequately implemented and provided a consistent set of management controls over the JCSG data collection and analysis process.

Management Comments

We provided a draft of this report to management on May 8, 1995. Because this report contains no findings or recommendations, written comments were not required. However, the Deputy Assistant Secretary of Defense (Installations) provided comments and concurred with the results of the audit. For full text of management comments, see Enclosure 2.

We appreciate the courtesies extended to the audit staff. If you have any questions on this report, please contact Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312), or Mr. John M. Delaware, Audit Project Manager, at (703) 604-9314 (DSN 664-9314). See Enclosure 4 for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Enclosures

Summary of Prior Audits and Other Reviews

The Inspector General, DoD, issued 13 reports on the JCSG implementation of the Steering Group internal control plan.

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
95-178	Joint Cross-Service Group for Economic Impact 1995 Defense Base Realignment and Closure Process	April 14, 1995
95-177	Joint Cross-Service Group for Depot Maintenance 1995 Defense Base Realignment and Closure Process	April 13, 1995
95-176	Joint Cross-Service Group for Laboratories 1995 Defense Base Realignment and Closure Process	April 13, 1995
95-175	Joint Cross-Service Group for Undergraduate Pilot Training 1995 Defense Base Realignment and Closure Process	April 13, 1995
95-174	Joint Cross-Service Group for Military Treatment Facilities 1995 Defense Base Realignment and Closure Process	April 13, 1995
95-173	Joint Cross-Service Group for Depot Maintenance 1995 Defense Base Realignment and Closure Process	April 13, 1995
95-134	DoD Concurrence With Joint Cross-Service Group Recommendation to Change Methodology Used to Determine Excess Capacity	February 27, 1995
95-133	Review of Naval Air Warfare Center, Aircraft Division, Patuxent River, Maryland, Responses to Joint Cross-Service Group for Test and Evaluation Requests for Clarification	February 27, 1995

Summary of Prior Audits and Other Reviews

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
95-132	Review of Naval Air Warfare Center, Weapons Division, Point Mugu, California, Responses to Joint Cross-Service Group for Test and Evaluation Requests for Clarification	February 27, 1995
95-131	Review of Edwards Air Force Base Responses to Joint Cross-Service Group for Test and Evaluation Requests for Clarification	February 27, 1995
95-130	Review of Eglin Air Force Base Responses to Joint Cross-Service Group for Test and Evaluation Requests for Clarification	February 27, 1995
95-129	Review of Naval Air Warfare Center, Weapons Division, China Lake, Responses to Joint Cross-Service Group for Test and Evaluation Requests for Clarification	February 27, 1995
95-020	Armed Forces Radiobiology Research Institute 1995 Defense Base Realignment and Closure Data Call Response	October 31, 1994

Deputy Assistant Secretary of Defense (Installations) Comments



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
3300 DEFENSE PENTAGON
WASHINGTON, DC 20301-3300



30 MAY 1995

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report on Audit Assist for the 1995 Defense
Base Realignment and Closure Process (Project
No. 4CG-5016)

I have reviewed the draft report and concur in the auditor's conclusion that the 1995 Base Realignment and Closure (BRAC) Steering Group provided an effective internal control plan for managing the data used in the identification of DoD cross-service opportunities.

The Inspector General, DoD, has been a key part of the Department's BRAC process by providing advice and review of organizational and internal management controls for Steering Group and Joint Cross-Service Group activities. The involvement of the Inspector General enhanced the process by helping to ensure the accuracy, completeness, and integrity of the information upon which Secretary of Defense recommendations for base closures and realignments were based.

Thanks!


Robert E. Bayer

Deputy Assistant Secretary of Defense
Installations



Enclosure 2

Organizations Visited or Contacted

Office of the Secretary of Defense

Assistant Secretary of Defense (Economic Security), Washington, DC
Deputy Assistant Secretary of Defense (Installations), Washington, DC
Director, Base Closure and Utilization, Washington, DC

Department of the Army

The Army Basing Study, Washington, DC

Department of the Navy

Base Structure Analysis Team, Alexandria, VA

Department of the Air Force

Base Closure Working Group, Washington, DC

Non-Government Organization

Center for Naval Analysis, Arlington, VA

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Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Governmental Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Audit Team Members

This report was produced by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Paul J. Granetto
Wayne K. Million
John M. Delaware
Tonya M. Dean

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